



# **BIA Tool Kit/Policies for Communities Seriously Interested in Improving Housing Affordability**

## **Preamble:**

It is the position of the Building Industry Association of San Diego County that the imposition of fees and/or price controls on a singular industry cluster in the name of affordable housing is unjust and economically punitive that ultimately fails to address the community's affordable housing needs. Any successful program must be incentive based and provide targeted regulatory relief to reduce costs and expedite housing creation. The recommendations listed below – if concurrently implemented – can provide the tools necessary to make affordable housing production more attractive and economically viable.

- 1) Developers required to provide affordable housing as part of an Inclusionary Housing Policy should not be required to build the housing but should have the option to:
  - a) Provide the housing (via various methods below) OR
  - b) Pay a reasonable in-lieu fee
- 2) Inclusionary Housing Policies should apply to all forms of housing in order to minimize the burden on each type of housing's end user:
  - a) For-sale housing – attached and detached
  - b) For-rent housing
- 3) Inclusionary Housing Projects may be:
  - a) for-rent or for sale, without regard to whether the market rate project is for-rent or for-sale
  - b) on-site (within the subdivision which created the inclusionary requirement) or off-site
  - c) aggregated with the inclusionary housing requirements of other projects or into other affordable projects
  - d) different in type from the market rate housing, so long as they meet the minimum requirements of the Tax Credit Allocation Committee, Debt Limit Allocation Committee, US Department of Housing and Urban Development and applicable zoning codes
- 4) Any In-Lieu fee adopted by the city must be:
  - a) Nexus based; meaning, legally defensible under AB 1600, Proposition 26 and respecting both California and US Supreme court decisions
  - b) In the case of for-sale affordable housing; be based on the cost in the community of the median price of the most affordable quartile of for-sale housing in the community and taking into account the availability and amount of financing to an entry level home buyer
  - c) In the case of for-rent housing; be based on the "financing gap" between the reasonably estimated cost of developing such units and the financing sources thereof including commercial financing, low income housing tax credits, development and financing concessions from the city, and other forms of subsidy for financing the project.

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- 5) Adopt a parking ordinance allowing for reduced parking in affordable housing projects to account for the lower incidence of car ownership by low and moderate income families, as demonstrated in the City of San Diego Affordable Parking study and implemented in the City of San Diego parking ordinance. Eliminate any garage parking requirement.
- 6) The City could sell or lease City-owned land for its fair market value (with interest), but accept payment on a deferred and subordinated basis over the long term life of the project, e.g. 55 years. This eliminates the need to finance the cost of the land component of affordable housing, but gives the city long term ownership of the asset while ensuring its residents a reasonable rate of return on the City's underlying asset.
- 7) The City could accept impact fees over on a deferred (with interest) and subordinated basis over the long term life of the project, e.g. 55 years. This eliminates the need to finance the cost of the impact fee component of affordable housing, but gives the City a stream of income to mitigate for the impacts of the project and a reasonable rate of return for its residents.
- 8) The City could adopt the BIA Model Density Bonus ordinance to enhance the prospects that this tool will be used. It is greatly superior to state law in terms of the incentives it creates.
- 9) Creation of by right overlay zones for affordable housing in areas currently zoned for commercial, industrial or multi-family residential areas. Projects that include affordability provisions could receive "by right" or ministerial approval and avoid any public hearings. The City could come up with reasonable design standards suitable for their specific community without adding unnecessary costs for upgraded architectural features.
- 10) Expedited permit approval on affordable housing projects.
- 11) Adopt a procedure for development concessions such as reduced setbacks and increased building height to make development of affordable housing more efficient or allow market rate builders those concessions in exchange for affordable housing credits (funding). Use the market to create value and provide this funding for affordable housing gap financing.
- 12) **Identify Sites.** Coordination between the adopted Housing Element and sites available for residential, infill, mixed use, under-utilized or possible re-use sites, and vacant land. Put in place policies that ensure that adequate and appropriate sites are available for these types of development.
- 13) **Increase Densities.** The number of units that can be built on a designated piece of land has a significant impact on housing affordability. Increasing residential densities to promote housing

affordability for all income levels, especially in and around commercial centers and in areas served by public transit.

- 14) **Focus on Design.** Design is a critical component in successful affordable housing developments. Successful affordable housing communities have one thing in common, regardless of their density: they are well designed and “fit-in” with their surroundings. Cities must be careful not to “over require” (adds costs un-necessarily) superior design standards.
- 15) **Agree on the goals.** Local land use controls, development regulations, exactions, fees and procedural requirements often result in unintended obstacles to achieving truly affordable housing developments. Begin by documenting and understanding the community’s housing needs. The next logical step is to align what you seek to accomplish (affordable housing) with the existing local controls, regulations and requirements and modify the controls, regulations and requirements that obstruct or hinder providing creative solutions.
- 16) **Learn from the past and from others’ successes and failures.** Build on past successes and learn from past mistakes. With the dissolution of the redevelopment authorities in each city, the “solutions” of the past no longer apply. Draw upon the experiences and “best management practices” of other communities while realizing that there are multiple creative solutions waiting to be tried. Efficiency and flexibility are the new way forward, as is the ability to “think outside the box”.
- 17) **Supply and Demand.** Over the past 40 years all levels of governmental authority have unwittingly conspired to constrain the ability of the market to provide the necessary supply for the demands of an ever growing population. Housing policy and regulations need to reflect the demographic link between need (demand) and the ability to find an affordable place to live (supply). Controls, regulations requirements, fees and exactions are inexorably linked and should be re-examined for necessity and intended outcome. A fee exaction system will never yield a substantial enough supply of financial support to meet the affordable housing need, all the while making housing unnecessarily more expensive.